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IN THE  
Supreme Court of the United States

OCTOBER TERM, 1925.

No. 87.

INDEPENDENT WIRELESS TELEGRAPH  
COMPANY,

*Petitioner,*

vs.

RADIO CORPORATION OF AMERICA,

*Respondent.*

ON A WRIT OF CERTIORARI TO THE UNITED STATES  
CIRCUIT COURT OF APPEALS FOR THE  
SECOND CIRCUIT.

**REPLY BRIEF FOR PETITIONER.**

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## REPLY BRIEF FOR PETITIONER.

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### Points Discussed in Respondent's Brief.

1. **The Point at Issue.** Respondent's brief concedes (pages 1-2) that—

“The Circuit Court of Appeals assumed *arguendo* that the DeForest Radio Telephone & Telegraph Company was the owner of the patents in suit and then held that respondent's license entitled it to sue in the name of the patent owner.”

It is conceded (page 6) that respondent's license is “exclusive” only with respect to the right to use and sell, and not with respect to the right

to make. It is conceded (page 9) that a grant of less than the exclusive right to make, use and sell is a mere license, "conveys no title," and "amounts to nothing more than a covenant by the patent owner not to sue, or a waiver of the right to exclude." Thus it is made clear that respondent owns no part of the title to the patent, and that the **effective holding of the Court of Appeals is that a mere licensee owning no part of the title to the patent is entitled to sue in the name of the patent owner.** That, we think, is the single point brought up for review by this writ.

2. **A Point Not Heretofore Considered.** But, departing from the foregoing point, respondent suggests that the bill might have been sustained by the Court of Appeals upon another ground—upon the ground that not the DeForest Company but the American Telephone and Telegraph Company is the owner of the patent in suit and the Telephone Company is present as a party defendant.

We do not know whether this Court will undertake to examine the agreement of March 16, 1917, between the DeForest Company and the Western Electric Company, and the subsequent assignment of that agreement by the Western Electric Company to the American Telephone and Telegraph Company, and, in the absence of the DeForest Company, undertake to decide whether those documents left the ownership of the patents in the DeForest Company or transferred it to the American Telephone and Telegraph Company. That question was not discussed by the District Court or by the Court of Appeals in the case at bar. It has elsewhere been decided in favor of



the DeForest Company on motion for preliminary injunction (*DeForest Company vs. Radio Corporation of America*, 3 Fed. (2nd), 847 (Delaware)).

Whether this Court will undertake to make such an examination and determination or not, and regardless of where the legal title lies, it is admitted that this respondent owns no part of the title; and our position is that, owning no part of the legal title, it cannot sue for infringement of the patent; that its rights lie wholly in contract, and that if it has been wronged it should sue on the contract out of which its rights arise. Respondent has in no sense the right to exclude under the patent monopoly. That right rests with the owner of the patent monopoly. This case has been permitted to proceed thus far upon the theory that it rests with the DeForest Company. Respondent now suggests that it rests in the Telephone Company. In any event it does not rest in respondent. Respondent's contract right does not extend to one not a party to its contract, and there is no reason why petitioner should be drawn into any controversy as to where the title lies until it is sued by someone who pretends to have the title.

Respondent's counsel say a great deal to the effect that respondent has important rights which have been violated, and that respondent is without a remedy unless Section 4919, R. S., is construed to mean that respondent may sue in the name of the patent owner. It does not seem to us that any such situation exists. We do not think the pleadings show that respondent has suffered any wrong for which this suit against your

petitioner is a proper remedy. On the contrary we think the situation is that respondent has assumed in this suit to ask a remedy without any corresponding right.

### POINT I.

**Is respondent entitled to sue in the name of the patent owner?**

This question should be discussed in the clear light of the admitted fact that respondent owns no part of the patent monopoly; that it is a "mere licensee" within the definition of this Court in *Waterman vs. Mackenzie*, 138 U. S., 252, reiterated in *Crown Co. vs. Nye Tool Works*, 261 U. S., 24.

### **The Supposed Analogy to Choses in Action at Common Law.**

On pages 25-30 of respondent's brief is found an interesting discussion of the analogy between assigned choses in action and assigned claims for damages in patent cases, with the suggestion that the rule applied to assigned choses in action should here be applied *to the respondent's license*.

In *Crown Co. vs. Nye Tool Works*, *supra*, this Court said that to regard the claim of a patent owner for damages for infringement as only a chose in action ignores the peculiar character of patent property and the recognized rules for the transfer of its ownership and its incidents. We take that to mean that the suggested analogy

is not safely to be followed if it leads us into conflict with the statutory requirements. It seems to us that respondent's counsel follow the analogy not only into conflict with the patent statutes, but also into conflict with the common law.

It is certainly true that the common law once regarded choses in action as unassignable. That idea, like other restrictions upon the alienation of property, the common law succeeded in overcoming without legislation. By an ancillary agreement between the assignor and the assignee, as, for example, a power of attorney (which ancillary agreement was at first required to be proved and was subsequently implied), the assignee was enabled to bring suit in the name of the assignor. The suit proceeded as though no assignment had been made, and the assignee had the benefit. Subsequently, by statutory enactment, the assignee was enabled to sue in his own name.

It is equally certain that under the patent act of 1793 (1 Stat. at L., 318, Ch. 2, Sections 4, 5), this Court did not recognize any such analogy between a patent right and a chose in action as would permit the assignee to sue, either in his own name or in the name of the patent owner. The act of 1793 provided that the patent right might be assigned and that damages for infringement might be recovered "in an action on the case founded on this act, in the circuit court of the United States, or any other court having competent jurisdiction." The statute was silent as to who might bring the action.

In such an action on the case brought under the Act of 1793 in the year 1810 by a grantee of entire right, title and interest for specified terri-

tory, there was a motion for arrest of judgment on the ground that the action could not be maintained by anyone who was not the assignee of the entire right of the original patentee, and this Court arrested the judgment (*Tyler vs. Tuel*, 6 Cranch., 324). That was the law on the subject when Congress passed the patent act of 1836 containing the provision which now appears in Section 4919 of the Revised Statutes, that damages might be recovered "in the name of the party interested either as patentee, assignee, or grantee."

If the Act of 1836 had modified the Act of 1793 only to the extent of providing that the action should be brought "in the name of the patentee," we could understand how it might be argued that the words "in the name of" had at that time acquired a certain meaning in actions brought by assignees of choses in action, and that by analogy those words should be interpreted to mean that the action might be brought by the assignee of the whole title in the name of the patentee. But the framers of the statute did not leave the assignee or grantee of a patent right in a position which called for the application of any such analogy. Nor did they rely upon the common law modification of the rule with respect to choses in action. They provided explicitly that the assignee or grantee might bring the action in his own name.

When the Act of 1836 came before this Court in 1850 (*Gayler vs. Wilder*, 10 How., 477), it was held that the assignee of the entire right, title and interest, or the grantee of the entire right, title and interest within a specified territory, might

sue in his own name for infringement of his rights; but that he could not so sue unless the assignment conveyed to him "the entire and unqualified monopoly which the patentee held in the territory specified—excluding the patentee himself, as well as others." There was, of course, no need to resort to any analogy to support the right of the assignee to sue. That right was expressed in the statute. In holding that the right to sue did not pass unless the entire right, title and interest was assigned, this Court did, in a sense, follow the analogy of the rule applicable to assigned choses in action; because that rule required the assignment of the entire chose; but it is more correct to say that the Court then and there affirmed the rule that patent rights, being creatures of statute, could be assigned only in accordance with the statute, and that suits could be brought on them only in accordance with the statute, i. e., only by the patentee, assignee or grantee.

It must, we think, be recognized that in *Gayler vs. Wilder*, and the subsequent cases which are all to the same effect, this Court meant to say that the suit must actually be brought by the patentee, assignee or grantee; and not by someone else in his name.

But the suggestion of respondent's counsel, as we understand it, is that this established rule ought now to be modified by emphasizing the words "in the name of" in supposed analogy to the rule applied to assigned choses in action.

Respondent's counsel suggests (brief, pages 27-8) that the common law rules as to assigned choses in action "apply today with complete anal-

ogy to assignments of rights under Letters Patent" such as claims for damages for past infringement. We do not think so. Counsel say (page 27):

"Thus, the assignee of an infringement damage claim may sue at law in the name of his assignor—following R. S., Section 4919 explicitly" (*Crown vs. Nye, supra*).

We do not so understand the decision in *Crown vs. Nye*. The question there finally discussed was whether the assignment of the right to recover for past infringement to a person having no title to the patent or interest in it gave that person the right to sue. The Court held it did not. It is true that the Court used the expression (261 U. S., 39):

"The plaintiff below could not bring such a suit for past infringements without joining with it the owner of the patent when the infringements were committed."

But there is nothing in the case to indicate that this was intended to mean that the assignee could sue in the name of the owner. In fact, we think the decision was directly to the contrary. It was immediately pointed out (page 40) that to treat such an assigned claim as an assigned chose in action was to ignore the peculiar character of patent property and the provisions of the statute. The Court went on to quote with full approval the statement of the rule in Robinson on Patents, Volume 3, paragraph 937, that:

“With a single exception the plaintiff in an action at law *must be the person or persons* in whom the legal title to the patent resided at the time of the infringement.” (Italics ours.)

We take this to mean what it says and to exclude the idea that the suit may be brought by some other person in the name of the patentee, assignee or grantee. The sole exception (page 43) is when such owner assigns the patent and also the claim for past infringements to the same person. In such a case, as the title and ownership of the claims are united, it is held that the owner may sue. It had been held that the plaintiff in the Crown case did not have the title and consequently he did not have the right to sue for past infringement, and this Court went on to say (page 44):

“If the owner of the patent when the infringements took place has assigned his patent to one, and his claims for damages for infringements to another, then the latter *cannot sue at law at all, but must compel his assignor of the claims to sue for him.*” (Italics ours.)

No analogy to the rule with respect to choses in action is recognized. No right to sue exists in the assignee, because he has no title to the patent. He cannot sue in his own name or in the name of the patent owner or at all. He must compel the patent owner to sue for him.

The statutory requirements apply in equity as at law (*Waterman vs. Mackenzie, supra*), and so we think that respondent here (if indeed it has any such exclusive right and has suffered any such damage as it avers), should be turned back from its present course. It should compel the patent owner to sue for it. In that way the rights of all the parties may be determined and preserved. There will be no need to ask this Court to modify the rule so long established by its decisions and so long understood and acted upon by the bar. The petitioner will then be relieved of all threat of multiplicity of suits for the same alleged infringing act and will be relieved from all contact with the legal controversy among those persons who severally claim to own the patent.

But the further suggestion of respondent's counsel, as we understand it, is that the respondent, being a mere licensee, and consequently unable to bring suit in its own name, ought, by analogy to the rule established with respect to choses in action, to be permitted to bring action in the name of the patent owner. Certainly no support for that suggestion will be found by following the analogy. It was well established from the beginning in the case of choses in action, that the assignee of any less than the whole of the chose in action could not sue. And the reason given was the very same reason that has been given by this Court for the rule that suit on a patent can be brought only by the patent owner.

Respondent's counsel (brief, page 26) quote from the opinion of Justice Story in *Mandeville vs. Welch* (5 Wheaton, 277), at page 283, to support the doctrine that the assignee of



a chose in action may sue in the name of the assignor, but in that case this Court said (page 283):

“This doctrine was fully recognized by this court when this case was formerly before us (Welch vs. Mandeville, 1 Wheat. Rep., 235). It was then applied to a case where the whole chose in action was alleged to have been assigned; and it was certainly then supposed that the doctrine in courts of law had never been pressed to a greater extent. We are now called upon to press it still further, so as to embrace cases of partial assignments of choses in action.”

The Court refused to press the doctrine further, and said (page 286):

“The reason of this principle is plain. A creditor shall not be permitted to split up a single cause of action into many actions, without the assent of his debtor, since it may subject him to many embarrassments and responsibilities not contemplated in his original contract.”

If the analogy is to be followed, it leads directly to the conclusion that a mere licensee, who is not the assignee of any part of the patent right, cannot sue, either in his own name or in the name of the patent owner.

**The Patent Owner is an Indispensable Party and  
the Case Cannot Proceed Without Him.**

That is, as we understand it, the whole sum and substance of the prior decisions of this Court. If the whole monopoly remains in the patentee, he must sue. If the whole monopoly for the territory where the infringement occurred has been granted to another, the grantee must sue, and if the monopoly has been divided into fractional parts, all of the joint owners must sue. The suit cannot in any case go forward unless the ownership of the entire monopoly in that territory is represented by the parties plaintiff. We cannot believe that this established rule can be set aside by suggesting an implied right in the licensee to sue in the patent owner's name. Nor do we think that the long series of decisions of this Court mean anything less than that the patent owner himself must sue; nor that they would be satisfied by a suit brought in the name of the patent owner by the licensee without the patent owner's consent.

When all is said and done, counsel's suggestion that a mere licensee may bring suit without the consent of the patent owner, in the patent owner's name, is only another form of the proposition asserted by the Court of Appeals in the case at bar—that respondent's license carried with it an implied power to sign the name of the patent owner to the bill of complaint.

When we ask ourselves who, under this theory, is entitled to sue, the answer must be any mere licensee with whom the patent owner has agreed that he will not grant a like license to someone

else; and that, no matter how limited the license may be. It seems to us very extraordinary to imply an authority to sue in the patentee's name from the disability of the licensee to sue in his own name which arises out of the statute itself. We take the statute to be an expression of a deliberate purpose that no one shall sue but the holder of the whole legal title. It seems to us extraordinary to say that that very disability vests in the licensee the power to proceed in a way that would not only give rise to all of the burdens upon defendants so often referred to in the decisions of this Court, but would also give to the licensee a greater control over the legal title than has the owner of the patent himself. If the licensee can litigate the validity of the legal title in the name of the owner without his consent, he can litigate it against the will of the owner and against his judgment. The owner becomes the slave and the licensee the master. Of course it will not do to say in reply to this that the action brought in the name of the patent owner does not bind the patent owner, and is not *res adjudicata* as to him, because respondent's whole argument is based upon the proposition that the suit here brought against your petitioner will be *res adjudicata* against the patent owner.

This leads us to the consideration of a very important question, which is more than a mere question of jurisdiction. It goes to the very root of legal rights and remedies.

The holder of the entire legal title of the patent within the territory where the infringement occurs is unquestionably an *indispensable* party in an action for infringement of the patent. "Such as-

signor is a necessary party, and a bill for accounting and damages is fatally defective otherwise." (*Crown Co. vs. Nye Tool Works*, 261 U. S., 44.) Without him the action cannot proceed. *Mallow vs. Hinde*, 12 Wheat., 193, 198; *Barney vs. Baltimore*, 73 U. S., 280; *Northern Indiana R. R. Co. vs. Michigan Central R. R. Co.*, 15 How., 233, 246; *Shields vs. Barrow*, 58 U. S., 130; *Bank vs. N. O. & Carrollton R. R. Co.*, 78 U. S., 624; *Ribon vs. C., R. I. & P. R. R. Co. and M. & M. R. R. Co.*, 83 U. S., 446; *Williams vs. Bankhead*, 86 U. S., 563.

Certainly counsel who wrote the bill of complaint in the case at bar considered the DeForest Company an indispensable party. The bill avers that the DeForest Company acquired the entire right, title and interest; that it was requested to consent to join as co-plaintiff but declined; that it is not within the jurisdiction of the Court and therefore cannot be made a defendant, and that therefore to *prevent a failure of justice*, it is made a plaintiff herein without its consent (R., 7).

We know of no theory upon which the necessity for having an indispensable party in Court can thus be dispensed with. We think respondent's counsel can cite no authority for so proceeding. It seems to us that respondent's reasoning proceeds in this vicious circle:

The DeForest Company is an indispensable party and refuses to appear voluntarily. The case cannot proceed otherwise. A person who declines to appear voluntarily can be brought into Court only by process. Therefore, to prevent failure of justice, the DeForest Company might be made a defendant if within the jurisdiction. (Thus far the reasoning proceeds

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in recognition of the indispensable presence of the DeForest Company. But respondent's counsel proceed:) The DeForest Company is not within the jurisdiction and *therefore is made a party plaintiff without its consent.*

This brings us back to where we started. It assumes to ignore, but does not overcome the difficulty that as a matter of fact the DeForest Company is not in court and no decree of the Court made in its absence can bind it.

As we view it, this consideration is an insuperable obstacle in the path of respondent in this case, and aside from the considerations heretofore advanced is a sufficient reason why the language of Section 4919, R. S., cannot be interpreted as respondent contends. We think the analogy to choses in action is here of no service to respondent. The assignor of a chose in action was a purely nominal party and had no interest in the subject matter litigated, provided the entire chose had been assigned. In the case at bar, the patent owner is an indispensable party and has a most vital interest in the rights sought to be adjudicated.

The cases in the inferior courts do not constitute any authority for the suggestion that this insuperable obstacle can be waived aside.

In *Brush-Swan Electric Light Co. vs. Thomson-Houston Co.*, 48 Fed., 224, Judge Shipman ex-

pressly declined to decide the general question whether a licensee has an implied right to sue an infringer joining the owner of the patent against his will. He was at pains to say (page 226):

“If the interest of the owner, who has merely given his agent a license to sell within a specified territory, and who is still the owner of the substantial and important portion of the patent, can be, against his will and without the service of process, subjected to litigation and judicial decree, there is danger that the power of the licensee will be wantonly exercised.”

In that case the Brush Company (Cleveland Company), owner of the patent, was in turn owned by the real defendant, the Thomson-Houston Company, and Judge Shipman said (page 226):

“In this case, the Cleveland Company is really a co-defendant, in view of the Thomson-Houston Company’s controlling ownership of its stock.”

*Brush Electric Co. vs. California Electric Co.*, 52 Fed., 945, arose out of the same controversy in the sense that the plaintiff, California Electric Light Company, was just such a licensee as the Brush-Swan Company in the earlier case, and the patent owner, Brush Electric Company, was seeking to prevent the exercise by the California Company of the license the Brush Company had granted. It is true that the real defendant did not own the Brush Company, as in the Connecti-

cut case, and this difference was very fully and forcefully insisted upon in the brief by appellant's counsel, which is reported in 52 Fed., at pages 946-952 and 955-957. Nevertheless, the patent owner did in that case submit itself to the jurisdiction of the Court and move to dismiss on the ground that its name had been used without its consent (52 Fed., 958). The Court of Appeals for the Ninth Circuit was careful to emphasize this fact (52 Fed., 958), and the case is no authority for the proposition that a Court may proceed to adjudicate the rights of the patent owner when he has not voluntarily appeared and no process has been served upon him.

In *Excelsior vs. Allen*, 104 Fed., 553, the patent owner came into court, associated himself with the defendant, and collaterally attacked the licensee's right. The controversy was one in which the patent owner was definitely aligned against his own licensee. This statement is equally true of the case of *Excelsior Wooden Pipe Co. vs. City of Seattle*, 117 Fed., 140, which arose on the same patent and out of the same state of facts.

It seems to us no fault can be found with the conclusion of the District Judge in the case at bar that the force of the dicta of the Court of Appeals of the Second Circuit in *Hurd vs. Goold* (203 Fed., 998, 1000) is overcome by the decision of this Court in *Crown vs. Nye*, *supra*. Certainly the case of *Hurd vs. Goold* is no authority for the broad proposition that a Court may proceed to adjudicate patent rights when the owner of the patent rights is not in Court. That suit was brought on the Grant rubber tire patent by the territorial licensee, James B. Hurd, and the pat-

ent owners, Consolidated Rubber Tire Company and Rubber Tire Wheel Company, against a dealer in tires made by the Kokomo Company which had in litigation in the Sixth Circuit successfully maintained the invalidity of the patent and was operating under a decree which had not been appealed from. The Courts of the Second Circuit had held the patent valid and that holding had been affirmed by this Court (*Diamond Rubber Co. vs. Consolidated Rubber Tire Co. et al.*, 220 U. S., 428). There was a motion for preliminary injunction which was opposed on the ground, among others (197 Fed., 760):

“that in Ohio the complainants, Consolidated Rubber Tire Company and the Rubber Tire Wheel Company are under injunction which forbids them to prosecute this action.”

The District Court said:

“On the motion of the complainant Hurd alone, there will be an injunction as prayed for.”

The Circuit Court of Appeals of the Second Circuit (203 Fed., 999) reversed the order appealed from on the ground that the complainant's right to enjoin the sale of tires made by the Kokomo Company was so much in doubt, having been certified to this Court by the Court of Appeals, that a preliminary injunction should not be granted. Having disposed of the case in that way, the Court went on to say that it would express its opinion of other questions in view of the fact that they



might come again before the District Court. It was in so expressing its opinion that the Court made the remarks upon which respondent's counsel rely. In our opinion, as we have already said, that dicta is not supported by any authority, and none was cited.

The decision in *Chisholm vs. Johnson* (106 Fed., 191, 212, Del.) was that an exclusive licensee may properly be joined with the legal owner of the patent as co-complainant. The statement to the effect that an exclusive licensee has an implied authority to use the name of the legal owner was mere dicta on the authority of *Brush Electric Co. vs. California Electric Light Co.*, supra.

The early decisions by Judge Nelson in *Goodyear vs. McBurney*, 3 Blatch., 32, Fed. Cas. 5574, Vol. 10, page 699 and *Goodyear vs. Bishop*, 4 Blatch., 438; Fed. Cas. 5558, Vol. 10, page 642, decided in 1853 and 1860 respectively, proceed on the theory that an action at law for damages for infringement of a patent may be brought in the name of the patent owner for the use of a licensee. It does not appear from the reports whether the patent owner voluntarily came into court or not. In any case they are of no force in the light of the subsequent decisions of this Court.

For all of the foregoing reasons, and particularly for the reason that the patent owner is an indispensable party having vital interests which cannot be adjudicated in his absence, we cannot agree with respondent's counsel that a mere licensee has the right to provoke an adjudication in the name of the patent owner without his consent. We cannot think, as they do, that such an interpretation of the statute is more reasonable than the

rule that the patent owner who refuses to sue may be brought in as a party defendant, which rule they say (page 29) is not within the terms of the statute.

**It is not sufficient to join the patent owner as defendant in a suit instituted by the licensee unless the patent owner is himself trespassing upon the licensee's rights.**

We quite agree, however, that the bringing of a patent suit by a licensee, joining the patent owner as a defendant, is not within the terms of the statute. We regard the procedure as available only where the patent owner is himself the infringer, or possibly where the patent owner is willing to sue but is under a legal disability.

If the decision in *Brush vs. California*, *supra*, is taken to support that proposition generally, we think it goes beyond and is contrary to the decisions of this Court. The only other case at all in point that we have been able to find is *Libbey Glass Co. vs. McKee Glass Co.*, 216 Fed., 172. In that case the patent was owned by the H. C. Fry Glass Co. The patent had been sustained and held to be infringed in a proceeding brought by the patent owner against the predecessor of the McKee Glass Company. By supplemental bill, the McKee Co. was brought into that suit and a decree was entered against it. Thereafter the patent owner with the consent of its licensee, Libbey Glass Company, licensed the McKee Co. to practice the invention for certain limited purposes. Subsequently, as it was alleged, the McKee Co. violated the limiting restrictions

of the license and the patent owner filed a bill in the State Court praying for injunction, restraining the McKee Co. from violating the conditions of the license. That bill was dismissed on the merits. Thereafter the patent owner instituted proceedings in the Federal Court against the McKee Co. for contempt, alleging violation of the injunction theretofore issued. A decree was entered adjudging the McKee Co. in contempt. At the time of the entry of the decree, the patent owner and the licensee notified the McKee Co. that they elected to rescind the license under its terms. Thereupon the McKee Co. filed a bill in equity against the patent owner in the State Court. That court issued a temporary restraining order against the patent owner restraining it from interfering in any way with the operations of the McKee Co. Thereupon the licensee, Libbey Glass Company, brought its suit in the Federal Court against the McKee Co., joining the Fry Glass Co. as defendant, to enjoin the prosecution of the State suit and the trespass upon the licensee's rights. The District Court held that under those peculiar circumstances the licensee was entitled to proceed and to join the patent owner as a defendant because the patent owner, being under injunction, could not maintain the suit in its own name. It does not seem to us that this case is any authority for an ordinary infringement suit brought by a licensee as sole plaintiff, joining as defendant a patent owner who is under no legal disability but merely declines to join as plaintiff. Nor is it, of course, an authority for joining an unwilling patent owner as a party plaintiff when he is outside of the jurisdiction of the Court.

It is true that Equity Rule 37 provides:

“Persons having a united interest must be joined on the same side as plaintiffs or defendants, but when anyone refuses to join, he may for such reason be made a defendant.”

But that is, of course, a mere rule of procedure which assumes a pre-existing right to sue and in itself creates no such right (*Crown Co. vs. Nye, supra*). The rule is merely declarative of settled law, and familiar instances of persons having a united interest are: joint owners of a patent, one of whom may, no doubt, join the others as defendants if they refuse to sue; and *cestuis que trust*, who may join the trustee as defendant if he refuses to sue; and stockholders of a corporation who may in a proper case join the corporation as a defendant if it refuses to sue. But in all of these cases the party suing has not only an interest in the outcome of the suit, but part of the united interest in the subject-matter, enforceable by him against the real defendant. Respondent has no interest in the subject-matter of this litigation—the patent monopoly. Its rights arise wholly out of its contract. It cannot enforce those rights in this action against the petitioner but only in an appropriate action on its contract against the other party thereto. It cannot derive from Equity Rule 37, or from the equity practice of which that rule is declarative, any right to sue the petitioner.

### **The Alleged Express Consent of the DeForest Company.**

Respondent's counsel argue (brief, pages 20-21) that the clause of the agreement of March 16, 1917, which provides that not only the DeForest Company but the Western Electric Company and its assigns may institute suits for infringement, is, assuming that the DeForest Company has not parted with the title, to be taken as an express grant of the right "to bring a suit for an infringement in the field of its licensed rights, in the name of the DeForest Company or by joining it as a party."

In the case of DeForest Radio Telephone and Telegraph Company against respondent, pending in the District of Delaware, in which Judge Morris granted a preliminary injunction on the ground that the DeForest Company has the right to sue; the respondent denied that the clause in question gave the DeForest Company such right. In their brief on final hearing in that case, which is now in the hands of the District Court for decision, respondent's counsel say (page 62):

"The paragraph as to suits, etc., in the present case cannot be given the exaggerated effect which the plaintiff strives to put upon it. Obviously, it was inserted to avoid disputes between the parties over costs and recoveries, and not to endow a party with a right to sue.

*That right comes only from the Laws of the United States, and may not be conferred by the parties"* (Rev. St., Sec. 4919). (Italics theirs.)

And again (page 65):

“It has heretofore been pointed out (page 63) that the purpose of this clause in the agreement was merely to settle the question of the division of costs and recoveries. However, if it be viewed as an attempt to assign a right to sue or to empower a party not otherwise authorized under the laws of the United States to sue, it is clear that under the decision in *Crown vs. Nye Tool Works*, it is wholly ineffective to that end.”

There is no doubt that the right to sue comes only from the laws of the United States and is not a right to be disposed of by agreement between the parties. If title remained in the DeForest Company, it alone has the right to sue. If title passed to the Western Company, its assignee, the Telephone Company alone has the right to sue. Admittedly, title did not pass to the respondent, and no agreement between the parties can give it the right to sue. It seems to us mere subterfuge to say that respondent nevertheless can sue by the mere formality of pretending to join the DeForest Company as plaintiff or actually joining the Telephone Company as defendant against its will.

### **The Question of Public Policy Underlying This Case.**

The fact is that the whole controversy now before this Court arises out of an elaborate plan to divide the rights under a very large number

of patents, not territorially, but according to the uses to which the inventions are put—to one corporation for amateur purposes, to another for commercial purposes, to one for telegraphy, to another for telephony, etc.; and to create such a situation that each one of those corporations may sue on any or all of the patents for an act which is alleged to be an infringement with respect to that particular use which is set apart for commercial exploitation by that particular member of the group. Whether that purpose is effected by saying that the DeForest Company is the owner of the legal title and has given an expressed or implied authority to use its name, or by saying that the American Telephone and Telegraph Company has the legal title, and in bringing it in as a party defendant when it refuses to sue, makes little difference, we suppose, to the respondent, and it certainly makes none at all to the questions of public policy involved, or to petitioner who asserts that what it has done is no infringement at all but who is nevertheless threatened with the possibility that what it has done may be claimed to be an infringement of the several rights of all, or more than one, of the parties to the group agreement.

Petitioner is not at all interested in the pending legal controversy as to whether the title to these patents is in the DeForest Company or the American Telephone and Telegraph Company, but it is very vitally interested that, when called upon to defend itself against a charge that it has infringed these patents, it may know once for all that if it successfully defends itself it will not be called upon to defend itself again, and that

if a judgment is against it a satisfaction of that judgment will forever discharge it from all liability for its infringing acts.

It has, as we understand it, heretofore been the conception of this Court that in this very sense a patent monopoly is a single thing and every attempt to treat it as a divisible thing has heretofore failed. The particular kind of division now attempted is a peculiarly obnoxious one. To express that thought we cannot do better than use the language used by Justice Grier in 1849, in *Blanchard vs. Eldridge*, 1 Wall. Jr., 337, Fed. Cas., 1510, Vol. 3, pages 624, 625:

“A machine for turning irregular figures may be used for numberless purposes. If the patentee or his assignees can assign to A. an exclusive right to use the machine for making shoe lasts, to B. for turning spokes, to C. for axe handles, and so on to the end of the alphabet, then may he, out of his one monopoly carve out a thousand others, each subdivision, like a polypus, being itself a several monopoly, and having a separate existence in the same place. What endless perplexity and confusion must necessarily arise from the establishment of such a doctrine. Suppose the monopoly granted by this patent parcelled out to some twenty sub-monopolists, with an exclusive right to each to use his machine for certain purposes, in any given place: what remedy could A. have against B. for an infringement of his special privilege? The patentee or grantor, might restrain his grantee of a machine for a special use, by a covenant; but as between the several grantees



no action could lie, although they alone might suffer from a breach of the covenant.

But it is sufficient for purposes of the present inquiry, that the act of congress has not given a legal sanction to such transfers or assignments, nor subjected even a pirate of the machine to fifty different suits by fifty several assignees, whose several interests might be affected, if a patent could be thus split up into numerous exclusive rights, or sub-monopolies."

We believe that every subsequent decision of this Court has borne out the thought thus expressed by Justice Grier. If anyone supposed that his language exaggerates the perplexity and confusion that must arise from the establishment of such a doctrine, he need only read the agreement between the General Electric Company and the American Telephone and Telegraph Company (R., pages 34-49 and particularly pages 38-44), out of which respondent's rights arise, and then attempt to say what particular act of alleged infringement falls within the kind of use attempted to be reserved to the General Electric Company and its licensees, on the one hand, or to the American Telephone and Telegraph Company, on the other hand.

## **POINT II.**

**Is the American Telephone and Telegraph Company the owner of the patent in suit?**

We do not think this point is raised by the pleadings or that it was brought up by the writ,

and, for the reasons above stated, we do not think it is material. In any event, we insist that it ought not to be made the basis of the continued prosecution of this action unless this Court can, in the absence of the DeForest Company, so dispose of the question of title as to estop the DeForest Company from ever asserting ownership of the patent against this petitioner. We do not see how any such disposition of the question of title can be made.

Furthermore, we do not believe that the agreement of March 16, 1917 (R., 17-21, fols. 35-44), vested title in the Western Electric Company.

In *Gayler vs. Wilder*, 10 How., 477, 494, this Court, citing with approval the case of *Blanchard vs. Eldridge*, ante, said that an assignee of a patent right may sue in his own name for infringement:

“But in order to enable him to sue, the assignment must undoubtedly convey to him the entire and unqualified monopoly which the patentee held in the territory specified—excluding the patentee himself, as well as others.”

In *Waterman vs. Mackenzie*, *supra*, this Court said that a patentee might assign by instrument in writing

“either (1st) the whole patent, comprising the exclusive right to make, use and vend the invention throughout the United States; or (2nd) an undivided part or share of that exclusive right; or (3rd) the exclusive right

under the patent within and throughout a specified part of the United States \* \* \*. Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title in the patent, and no right to sue at law in his own name for an infringement."

In *Pope Mfg. Co. vs. Gormully and Jeffery*, 144 U. S., 248, where the attempt was to divide the monopoly according to the claims of the patent, this Court referred to *Gayler vs. Wilder, supra*, and said (page 250):

"While that of course was a different question from the one involved in this case, the trend of the entire opinion is to the effect that the monopoly granted by law to the patentee is for one entire thing, and that in order to enable the assignee to sue, the assignment must convey to him the entire and unqualified monopoly which the patentee held, in the territory specified, and that any assignment short of that is a mere license."

Again, in *Crown Co. vs. Nye Tool Works, supra*, this Court, referring to *Gayler vs. Wilder, supra*, said (261 U. S., 38):

"The effect of the opinion in that case is that the monopoly granted the patentee is for one entire thing; and, in order to enable an assignee to sue, he must have received the entire and unqualified monopoly in the territory specified."

The case of *Littlefield vs. Perry*, 88 U. S., 205, is not a departure from that rule, but, on the contrary, is a reaffirmation of it. The whole effect of that decision, so far as it relates to the question now under discussion, is that a person to whom the patent right has been granted by an instrument in writing may turn about and grant to the original owner a license just as he could grant a license to any other person.

Clearly the agreement did not grant to the Western Company the unqualified monopoly excluding the patentee himself as well as others. There was no grant to the Western Company with a license back to the DeForest Company. The DeForest Company never parted with the rights expressly reserved.

It may be assumed, we think, that the draftsman of that agreement knew the difference between the assignment of a patent and the grant of a license, and that, if the parties had intended to assign the patent, the agreement would have said so. The DeForest Company was the owner of a large number of patents and patent applications relating to radio telephony and telegraphy, and was engaged in the manufacture, use and sale of radio devices. The Western Electric Company was a prominent manufacturer of telephone and telegraph devices, and wanted to acquire a license under the DeForest patents and applications. The document says that the DeForest Company grants to the Western Company (R., 17)

“a license (free of royalties or other payments other than those herein specified) to make, use, install, operate and lease, and to sell or otherwise dispose of, etc.”

The license granted was expressed to be subject to the rights expressly reserved by the DeForest Company (R., 18):

“The said license granted and to be granted to the Western Company is exclusive except for the aforesaid rights now held by the American Telephone and Telegraph Company and except for the rights expressly reserved herein by the DeForest Company.”

Under this single granting clause were included inventions disclosed in patent applications filed subsequent to and also prior to August 14, 1914. The rights reserved with respect to inventions disclosed in applications filed subsequent to August 14, 1914 were exclusive for certain purposes (pars. 2 and 3, R., 18). Rights reserved with respect to inventions disclosed in applications filed prior to August 14, 1914, which includes the patents here in suit, were not exclusive. It does not seem to us that this single granting clause can be taken to be an instrument in writing assigning some patents and also an instrument in writing granting a license under other patents.

As we understand the law as enunciated in the cases above discussed, the mere reservation by the DeForest Company of the right to practice the invention made the agreement less than an assignment. That this was the view of the parties seems clear from the subsequent covenants of the agreement. Reserving to the DeForest Company the right to sue in fields in which it possessed rights, it was attempted to grant to the Western Company a right to sue in its fields, which overlapped

the fields reserved to DeForest (R., 19, fol. 40). If the intent had been to assign the patents, there was no need to grant to the Western Company a right to sue. It is true that the DeForest Company, having reserved the right to sue and the other rights above discussed, retained also the legal title, and the attempted grant to the Western Company of the right to sue was futile. The clause amounted to no more than an agreement as to the sharing of expenses of litigation and recoveries.

The usual covenant with respect to the execution of further documents, if necessary (R., 20, fol. 41), was expressed as follows:

“Execute and deliver and cause to be executed and delivered all such further licenses and papers as the legal counsel of the Western Company may advise are necessary or convenient to perfect the license to the Western Company, its successors and assigns, herein conveyed or intended or agreed to be conveyed.”

The DeForest Company granted to the Western Company (R., 20, fol. 42) a non-revocable right to examine and take copies of all its applications now pending in the United States Patent Office, but it is clear from this clause of the agreement that the pending patent applications and future patent applications covered by the agreement, were to be prosecuted by the DeForest Company. If an assignment had been intended, there was no need for any such grant, and the patent applications would certainly have been prosecuted by the assignee; and there would have been in-

cluded the usual provision authorizing the Commissioner of Patents to issue patents on pending applications to the Western Electric Company.

In the usual clause providing that the rights granted should be assignable by the Western Company, was included the provision (R., 21, fol. 42) that the Western Company might

“grant licenses to various persons, firms or corporations for the several uses to which the inventions are applicable.”

If the document had been an assignment, there would have been no need to include this provision in it.

The concluding clause of the agreement was:

“It is understood and agreed that the acceptance of this license by the Western Company shall not be construed as granting or implying the grant or surrender by it of any rights or licenses whatever under its patents granted or to be granted.”

The purpose of this clause seems to us clear. The Western Electric Company, owner of a great many valuable patents, did not want to be in the position of granting to the DeForest Company any license. It preferred to take a license from the DeForest Company, letting it reserve the rights specified. If it had taken from the DeForest Company an assignment and granted back to it a license, it might have been that the license carried with it a right to use other inventions owned by the Western Company. It therefore took pains

to see that the rights reserved by the DeForest Company never came into its hands to be merged with its other patent rights; and it took pains to specify that the agreement in question should not be construed as a transfer from the DeForest Company to it of the whole right with a license back.

### CONCLUSION.

It is submitted that, irrespective of where the title is, the respondent, Radio Corporation of America, has no interest in the patent monopoly and no right to sue by joining the patent owner as defendant or as plaintiff; that the course suggested by respondent finds no authority on principle, analogy or precedent, and is directly subversive of the principles relating to enforcement of patent monopolies expressed by statute and established by the long line of uniform decisions of this Court.

Respectfully submitted,

WILLIAM H. DAVIS,  
Counsel for Petitioner.



OCT 3 1924  
WM. R. STANSBURY  
CLERK

# Supreme Court of the United States

OCTOBER TERM, 1924 1925  
No. 435. 87

INDEPENDENT WIRELESS TELEGRAPH  
COMPANY,

*Petitioner,*

*vs.*

RADIO CORPORATION OF AMERICA,

*Respondent.*

MEMORANDUM FOR RESPONDENT IN OPPOSITION  
TO PETITION FOR WRIT OF CERTIORARI

L. F. H. BETTS,  
*Counsel for Respondent.*



# Supreme Court of the United States

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INDEPENDENT WIRELESS TELEGRAPH COMPANY,  
*Petitioner,*

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RADIO CORPORATION OF AMERICA,  
*Respondent.*

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## **MEMORANDUM FOR RESPONDENT IN OP- POSITION TO PETITION FOR WRIT OF CERTIORARI**

In reply to petitioner's grounds for applying to this Honorable Court for a writ of certiorari, respondent submits:

(1) The decision of the Circuit Court of Appeals for the Second Circuit is in harmony with the decision of this Court in *Crown, etc., Co. vs. Nye, etc., Works*, 261 U. S. 24, and, instead of "introducing great unsettlement and chaos in the field of patent litigation", it operates to insure to exclusive licensees under letters patent the protection of "valuable legal and equitable rights which should be protected by a court of equity as against infringement of such rights." (*Radio Corporation vs. Emerson*, 296 Fed. 51, 54.)

Furthermore, no new proposition of law is involved herein, as the Circuit Court of Appeals has merely followed earlier decisions of the Ninth Circuit Court of Appeals and other Federal courts, and has merely reiterated the right of an exclusive licensee to sue "in the name of" (R. S., sec. 4919) the patent owner. So far as we know, the decision herein is not in conflict with any decision of this or any other court.

(2) Paragraph 2 of Petitioner's "Grounds for Petition" gives the impression that the question involved herein will arise in all of respondent's litigation on patents in the new radio industry. As a matter of fact, it will arise, if at all, in only a few of the suits brought by respondent.

(3) Another reason why we believe this Court should not now take up the question raised by Petitioner is that there is another ground upon which Respondent contends that the Circuit Court of Appeals could have reversed the District Court. What this is will be pointed out under Point III of this memorandum.

### **THE FACTS**

Although the facts here involved are not in dispute, we desire to emphasize certain facts not emphasized or not stated by Petitioner:

(1) The instrument by which the DeForest Radio Telephone & Telegraph Company granted a "license" to the Western Electric Company (Tr., pp. 35-43)—which was later assigned to the American Telephone & Tele-

graph Company (Tr., p. 45)—operated, in our opinion, to vest the legal title to the patents here in suit in the “licensee”, and, by virtue of the subsequent assignment, in the defendant American Telephone & Telegraph Company. (See Point III, *infra*.)

(2) In the field in which Petitioner is alleged to have infringed—commercial wireless telegraphy for toll or profit—, Respondent has an *exclusive* license throughout the United States and for the full term of the patents and this license is not subject to any other licenses; in that field, Respondent is the *sole* and *exclusive* licensee. Neither the owner of the patents nor any other licensee thereunder has *any* rights in that field.

(3) The licenses acquired by Respondent are *exclusive* in certain additional fields. *All* rights reserved by the *DeForest Company*, under the patents in suit, are *non-exclusive*, and, in the radio field, are also *personal*.

(4) The DeForest Company has made no objection to being joined as an unwilling party-plaintiff in this suit.

### QUESTIONS OF LAW

We do not understand that there is any “well-established law that a licensee under a patent cannot maintain suit . . . *in the name of the patent owner* [italics ours] without joining the patent owner, . . .” On the contrary, we submit, first, that the patent statutes specifically provide for bringing suit “in the name of the pat-

ent owner"; second, that, where suit is brought "in the name of the patent owner", the patent owner is joined; and, third, the reported decisions show that this proposition of law is not only not well-established but is non-existent.

As to Petitioner's second "Question of Law", the essential fact that the license is exclusive is not stated.

Petitioner's third "Question of Law" is misleading in the emphasis placed on the fact that the licensee "has no right to exclude the patent owner". That is not the situation in this case so far as the specific right involved herein is concerned, as has been pointed out above.

## **ARGUMENT**

### **Point I**

Both the District Court and Petitioner place their chief reliance on the decision of this Court in *Crown, etc., Co. vs. Nye, etc., Works*, 261 U. S. 24, and the Petitioner claims that the writ of certiorari should issue in this case because the decision of the Circuit Court of Appeals "proposes vitally to restrict the effect of that decision".

There is, however, an essential difference between the facts of that case and the facts of this case.

In *Crown vs. Nye*, the plaintiff had no right to practice the invention of the patent there in suit (*i. e.*, had no license) and none was given by the instrument upon which it based its right to sue: *i. e.*, the plaintiff there had no legal or equitable right which it was seeking to protect by injunction. The patent owner attempted to

transfer the incident to a right without transferring the right.

In the instant case, the patent owner has transferred to Respondent an exclusive license right to practice the invention for certain specified purposes—a part of the common law right. The Circuit Court of Appeals held that, under those circumstances, the incidental right to protection, by injunction, of the exclusive right, passes by implication. This makes this case fundamentally different from *Crown vs. Nye*.

Thus the decision of the Circuit Court of Appeals herein is thoroughly consistent with the decision of this Court in *Crown vs. Nye* and has no limiting effect thereon. We know of no other case with which the decision is in conflict.

Petitioner seeks to show that the *Brush-Swan* and *Excelsior* cases are not authority for the decision herein by stating that "In all those cases the patent owner and the infringer were engaged in a joint enterprise to swindle the original exclusive licensee out of his rights." There are two answers to this position: first, each of those cases was decided on the broad principle that an exclusive licensee may sue, to protect his exclusive rights, in the name of the patent owner—with or without the latter's consent; second, whether or not the DeForest Company, in the instant case, is engaged in such a joint enterprise with Petitioner, its refusal to join as a co-plaintiff will have exactly that effect if this Court should now hold that Respondent cannot sue in the name of the DeForest Company and that the DeForest Company is the owner of the legal title to the patents in suit.

## Point II

We do not consider that there is involved in this suit any question of importance which is of such general interest as to warrant this Court in taking it up on certiorari.

Petitioner's fear as to the "immediate practical effect" of the decision below (Petitioner's Brief, p. 14) seems somewhat exaggerated: it is hardly likely that any single concern would be desirous of commencing suits on "hundreds of patents". However, if its *exclusive* rights in many patents should be extensively invaded, and if the various patent owners should aid such infringement by refusing to co-operate with Respondent, it would be a travesty on justice if Respondent could not seek the aid of the courts to enjoin the invasion of its exclusive license rights.

As to the danger of infringers having "to defend themselves against successive attacks because of a single alleged infringing act", this danger did not appear to the District Court to exist. Judge Hand said (Tr., p. 106):

"The reason usually given for the doctrine is that the infringer will be subject to two suits unless all the parties are joined who have an interest in the patent. Yet, so far as I can see, if the outstanding interest is only a personal right to make, sell and use the invention, there is no possibility of a second suit. The licensor in that case, having no right to exclude anyone, could not sue the infringer."

And, as already pointed out, there is here *no* outstand-



ing interest in the field in which Petitioner has infringed, and the DeForest Company has no exclusive right in any field.

### **Point III**

Even if Respondent was not entitled to bring this suit in the name of the DeForest Company, as it has done, there still remains another ground, as we believe, for sustaining the reversal by the Circuit Court of Appeals of the District Court's decree. Thus the question raised by Petitioner is not necessarily determinative of whether the bill herein should have been dismissed.

The other basis for reversing the decree of the District Court is that the legal title to the patents in suit is in the defendant American Telephone & Telegraph Company (which has been served and has appeared) and not in the plaintiff DeForest Radio Telephone & Telegraph Company. If this is so, then the patent owner is unquestionably before the Court.

Whether title is in the Telephone Company or in the DeForest Company depends solely upon the construction of the DeForest-Western Electric contract of March 16, 1917 (Tr., pp. 35-43).<sup>\*</sup> This question is of no general or public interest and affects only a comparatively small number of patents. It is submitted that it is not the type of question that this Court desires to take up on certiorari.

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<sup>\*</sup>District Judge A. N. Hand held in effect, in an unreported decision, that title passed to the American Telephone & Telegraph Company (*Radio Corporation v. Emerson*, U. S. D. C., S. D. N. Y., Feb. 9, 1923).

Therefore, as the question raised by Petitioner is not determinative of the correctness of the decision of the Circuit Court of Appeals and as the other question is not of public interest, it is submitted that the writ of certiorari should not be issued herein.

### **CONCLUSION**

For the reasons outlined above, it is respectfully submitted that this petition for a writ of certiorari should be denied.

L. F. H. BETTS,  
*Counsel for Respondent.*